Surname					Othe	r Names			
Centre Number				Candid	ate Number				
Candidate S	Signatu	ure							

Leave blank

General Certificate of Secondary Education June 2005

ACCOUNTING Higher Tier Paper 2 3122/2H



Monday 27 June 2005 1.30 pm to 3.30 pm



No additional materials are required.
You may use a calculator.

Time allowed: 2 hours

#### **Instructions**

- Use blue or black ink or ball-point pen.
- Fill in the boxes at the top of this page.
- Answer all questions in the spaces provided.
- Do all rough work in the answer book. Cross through any work you do not want marked.

#### **Information**

- The maximum mark for this paper is 126. In addition to the mark allocations indicated within the paper, you will be awarded up to 6 marks for your ability to organise and present information, ideas, descriptions and arguments clearly and logically. Account will be taken of your use of grammar, punctuation and spelling.
- Mark allocations are shown in brackets.

#### Advice

• In all calculations, show clearly how you work out your answer.

	For Exam	iner's Use	
Number	Mark	Number	Mark
1			
2			
3			
4			
5			
Total (Column	1)	<b>-</b>	
Total (Column	2)	<b>→</b>	
Quality o Commun			
TOTAL			
Examine	r's Initials		

# Answer all questions in the spaces provided.

#### 1

### Total for this question: 29 marks

Ronika Begum owns a wholesale business. The following is an extract from her records of goods supplied to, and returns from, customers.

#### Sales book

Date		Invoice	Go	ods	VA	AΤ	Total		
April		No	£	p	£	p	£	p	
2	XTC Ltd	1008	200	00	35	00	235	00	
16	ELO plc	1018	240	00	42	00	282	00	
28	XTC Ltd	1030	150	00	26	25	176	25	
30	Total		590	00	103	25	693	25	

#### Sales returns book

Date		Credit	Go	ods	VA	<b>Λ</b> Τ	Total		
April		Note No	£	p	£	p	£	p	
6	XTC Ltd	C38	20	00	3	50	23	50	
23	ELO plc	C42	60	00	10	50	70	50	
30	Total		80	00	14	00	94	00	

(a) Complete and balance the account of customer XTC Ltd on 30 April 2005, bringing the balance down on 1 May 2005.

XTC	Ltd	account

Dr						Cr
Date		£	p	Date	£	p
April 1	Balance b/d	300	00	April		

(5 marks)

(b)	Ronika has sent an invoice to XTC Ltd. Explain the purpose of this document.
	(3 marks)
(c)	Ronika has sent a credit note to XTC Ltd. Explain the purpose of this document.
	(3 marks)
(d)	Ronika will send another business document to XTC Ltd on 30 April 2005. Identify what document this will be and explain the purpose of the document.
	Document
	Purpose
	(4 marks)

(e) Ronika keeps her Petty Cash Book using the imprest system, the imprest being £50. For the month of April 2005, her petty cash transactions were as follows:

		£
April 4	Paid cleaner	10.00
7	Bought petrol	5.00
13	Bought cleaning materials	6.25
21	Bought stamps	4.20
23	Paid bus fare	1.25
24	Received cash personal telephone call	1.00
29	Bought envelopes	5.60

Enter these transactions into her petty cash book and balance it at the 30 April 2005. Bring the balance down on 1 May 2005 and restore the imprest at that date.

Ignore VAT.

(14 marks)

Receipts         Date         Details         Total         Postage and Stationery         Travel         Cleaning           20         00         April 1         Balance b/d         F         p         £												
ceipts         Data         Total         Postage and Stationery         Travel           p         4         p         £         p         £         p           00         April I         Balance b/d         F         p         £         p         £         p         £         p         F         P         F         P         F         P         F         P         F	ning	d										
ceipts         Date         Details         Total         Postage and Stationery         Travel Stationery           p         April 1         Balance b/d         f         p         f         p         f         f         p         f	Clea	ς.										
ceipts Date Details Total Postage and Stationery  p	vel	d										
ceipts         Date         Details         Total           p         00         April 1         Balance b/d         E         p           00         1         Cash         Cash         I         I	Tra	£										
ceipts         Date         Details         Total           p         00         April 1         Balance b/d         E         p           00         1         Cash         Cash         I         I	ge and	d										
ceipts         Date         Details         Total           p         April 1         Balance b/d         £           00         1         Cash         £           n         1         Cash         1           n         1         1         1           n         1         1         1           n         1         1         1           n         1         1 <td>Postag Static</td> <td><math>\mathfrak{F}</math></td> <td></td>	Postag Static	$\mathfrak{F}$										
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Turn over

# Total for this question: 31 marks

David Stokoe has drawn up the following trial balance at 31 March 2005. It contains a number of errors.

## Trial Balance at 31 March 2005

	Dr	Cr
	£	£
Sales	450 000	
Purchases		290 000
Capital		94 300
Drawings	43 000	
Carriage inwards	4 000	
Carriage outwards	3 000	
Discounts received	1 500	
Discounts allowed		2 3 0 0
Office equipment at cost		24 000
Fixtures and fittings at cost		13 000
Provision for depreciation office equipment	4 800	
Provision for depreciation fixtures and fittings		2 600
Premises		80 000
Debtors		50 000
Returns inwards		2 000
Returns outwards	1 000	
Insurance	8 000	
Stock as at 1 April 2004	30 000	
Stock as at 31 March 2005		26000
Heat and lighting	6 000	
Wages and salaries		35 000
Creditors	40 000	
Bank (overdraft)	12 000	
Cash	1 900	
Sundry expenses	14 000	
	619 200	619 200

2

(a) Rewrite a corrected trial balance for David.

### **David Stokoe**

## Trial Balance at 31 March 2005

(25 marks)

(b)	State and explain <b>two</b> types of error that will not be identified by the preparation of a trial balance.
	Error 1
	Explanation
	(3 marks)
	Error 2
	Explanation
	(3 marks)



TURN OVER FOR THE NEXT QUESTION

# Total for this question: 25 marks

The following list of balances appeared in the books of Priyesh Mistry at 31 March 2005.

	£
Carriage inwards	5 600
Carriage outwards	6 000
Debtors	40 000
Discounts allowed	2 200
Discounts received	3 700
Heating and lighting	9 000
Insurance	6 000
Motor expenses	13 000
Motor vehicles at cost	60 000
Office equipment at cost	16 000
Purchases	380 000
Purchase returns	12 000
Rent received	4 800
Sales returns	15 000
Sales	600 000
Stock at 1 April 2004	45 000
Stock at 31 March 2005	50 000
Sundry expenses	4 400
Wages	23 000

The following additional information is available:

- 1. insurance of £500 has been paid in advance;
- 2. sundry expenses of £300 are owing;
- 3. depreciation is to be provided for on both motor vehicles and office equipment at 25% on cost;
- 4. a provision for doubtful debts of 5% of debtors is to be created.

3

Prepare Priyesh Mistry's trading and profit and loss accounts for the year ended 31 March 2005.

# Priyesh Mistry Trading and Profit and Loss Accounts for the year ended 31 March 2005

(25 marks)



#### 4

#### Total for this question: 10 marks

James Brady owns a business with a financial year that ends on 31 December. He purchased a delivery van for £40 000 on 1 January 2002. Depreciation was charged on the delivery van at 20% p.a. on cost. The delivery van was sold on 30 June 2004, payment by cheque of £26 000. Depreciation was not charged in the year of disposal.

(a) Show the relevant entries to record the sale of the delivery van in the delivery van's disposal account for the year ended 31 December 2004.

Dr	Delivery Van's	Disposal Account	Cr
DI			CI
2004	£	2004	£

(5 marks)

(b)	James cannot understand why adjustments for depreciation should be made in his books of account. State and explain the effect of depreciation on the profit and assets of his business.
	(5 marks)



## 5 Total for this question: 25 marks

The following information is available for ELP plc at 31 March 2005. All sales and purchases are on credit and all invoices should be paid within 30 days.

- 4	•
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Sales	500 000
Stock 1 April 2004	42 000
Stock 31 March 2005	38 000
Purchases	375 000
Cost of sales	379 000
Gross profit	121 000
Net profit	60 000
Capital employed	600 000
Cash at bank	2 000
Debtors	30 000
Creditors	40 000

(a) Using the above information, calculate:

(i)	the current ratio;
	(2 marks)
(ii)	the acid test ratio;
	(3 marks)

## QUESTION 5 CONTINUES ON THE NEXT PAGE

(iii)	the percentage of gross profit to sales ratio;	
		(2 marks)
(iv)	the percentage of net profit to sales ratio;	
		(2 marks)
(v)	the net profit to capital employed ratio;	(2 marks)
		(2 marks)
(vi)	the rate of stock turnover;	
		(2 marks)

(vii)	the debtor collection period;
	(2 marks)
	(2 marks)
(viii)	the creditor payment period.
	(2 marks)

QUESTION 5 CONTINUES ON THE NEXT PAGE

### **Additional Information**

The following ratios have been calculated for a close competitor DMC plc:

Current ratio	1.6:1
Acid test ratio	1.1:1
The percentage of gross profit to sales ratio	23%
The percentage of net profit to sales ratio	10%
Return on capital employed ratio	9%
Rate of stock turnover	12 times p.a.
The debtor collection period	24 days
The creditor collection period	32 days

(b)	Which business performed better during the year ended 31 March 2005? Use the ratios that you have calculated for ELP plc and the ratios provided for DMC plc to justify your answer.
	(8 marks)



## **END OF QUESTIONS**